



OFFICIAL REPORT
AITHISG OIFIGEIL

COVID-19 Recovery Committee

Thursday 19 January 2023

Session 6



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COVID-19 RECOVERY COMMITTEE

1st Meeting 2023, Session 6

CONVENER

*Siobhian Brown (Ayr) (SNP)

DEPUTY CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

Alex Rowley (Mid Scotland and Fife) (Lab)

*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jackie Baillie (Dumbarton) (Lab) (Committee Substitute)

Indre Bambalaite (Organisation for Economic Co-operation and Development)

Christine McLaughlin (Scottish Government)

John Swinney (Deputy First Minister and Cabinet Secretary for Covid Recovery)

Álfrún Tryggvadóttir (Organisation for Economic Co-operation and Development)

CLERK TO THE COMMITTEE

Sigrid Robinson

LOCATION

The David Livingstone Room

Scottish Parliament

COVID-19 Recovery Committee

Thursday 19 January 2023

[The Convener opened the meeting at 09:10]

Interests

The Convener (Siobhian Brown): Good morning, and welcome to the first meeting in 2023 of the COVID-19 Recovery Committee.

We have received apologies from Alex Rowley. I welcome Jackie Baillie, who is attending as his substitute, and I invite her to declare any interests that are relevant to the committee's remit.

Jackie Baillie (Dumbarton) (Lab): I have no relevant interests to declare, convener.

The Convener: Thank you, Jackie.

Monitoring Covid-19 Recovery

09:10

The Convener: We will now move on to the substantive business of the meeting. The committee will consider monitoring the Covid-19 recovery.

I welcome to the meeting Álfur Tryggvadóttir, lead, spending review and machinery of government, Organisation for Economic Co-operation and Development; and Indre Bambalaite, junior policy analyst, Organisation for Economic Co-operation and Development. Both are joining us remotely.

We estimate that the evidence session will run to around 10 past 10. Each member will have approximately 10 minutes to speak to the witnesses and ask questions. I am keen to ensure that everybody gets an opportunity to speak. I apologise in advance, because I may have to interrupt members or witnesses in the interests of brevity if time runs on too much.

I invite Álfur Tryggvadóttir and Indre Bambalaite to briefly introduce themselves.

Álfur Tryggvadóttir (Organisation for Economic Co-operation and Development): Thank you very much for the opportunity to be here with you today. I am a senior policy analyst at the OECD and, as you said, I lead the work on spending reviews, machinery of government and performance budgeting.

Indre Bambalaite (Organisation for Economic Co-operation and Development): Hello, everyone. I work at the OECD on performance budgeting and spending reviews.

The Convener: Thank you. I will begin the questions.

With the Covid-19 rules and restrictions lifted in Scotland, there has been a reduction in the quantity and the quality of available data, although I know that data is still being published on a weekly basis and that it still offers some insight into Covid-19 trends and cases. Álfur, what is your view of Scotland's Covid-19 recovery dashboard during the height of the pandemic and following the lifting of restrictions?

Álfur Tryggvadóttir: Thank you very much for that very interesting question. We have discussed that issue extensively with the countries that we work with. Unfortunately, we have not been able to work directly with Scotland on a bilateral basis, but we are, of course, quite familiar with the system in Scotland, and we have worked with neighbouring countries, such as Ireland.

The dashboard that you have in place is excellent. It is relevant that the data is updated regularly—that is really good. The dashboard is similar to what many OECD countries have been doing, but most countries do not update their dashboards as frequently any more, because they are heading out of the pandemic and other, more important things have been happening that need to be responded to. That is what we see. That gives members some context of how Scotland compares with other countries.

It was, of course, extremely important to have the dashboard during the peak of the pandemic, but other countries are now focusing a bit less on updating their Covid dashboards and more on what can be learned from the pandemic and how they can recover. The most important thing is how to get out of the pandemic. That is what we see. That gives members the broad context of the issue.

09:15

I do not know whether Indre Bambalaite wants to add anything to this. It is interesting that we see that countries are focusing on the public finances side. What was spent during the pandemic was one-off expenditure, so how do you find ways to establish whether it is still needed when countries are trying to recover from the pandemic?

The Convener: Thank you, Álfrún. That is really helpful, and you have also answered my second question with that answer.

In a previous evidence session in September, you gave evidence on the committee's pre-budget scrutiny, and you mentioned that many nations are now looking at scaling up their spending review process. First, how simple would that process be, and how well placed is the Scottish Government to do that? In order for that to happen, would changes need to come from both the United Kingdom Government and the Scottish Government? Indre or Álfrún, would you like to come in on that?

Álfrún Tryggvadóttir: Yes, we are happy to comment on that. That is a really relevant topic that we are working closely on exploring with many countries.

First, I note that, as we discussed the last time that I met you, the Scottish spending review process, similar to the UK spending review process, is not quite the same as what most other OECD countries have in place. There are pros and cons to the process that you have in place. It is extremely linked to the budget process, as you know. It is basically part of setting the budget. You discuss with ministries or spending entities the fact that you have to find X amount of savings and then you do that. The weakness in the Scottish

spending review framework is the lack of focus on baseline or existing expenditure. That definitely needs to be tackled now more than ever. During the 2008 financial crisis, countries extensively used spending reviews to do that.

On the question about scaling up the use of the spending reviews, yes, that would definitely have to come from the Government. I do not know whether "scaling up" is the right expression in the context of Scotland because, as I said, you have an excellent process in place—it just does not focus on what we would say that a spending review should focus on, which is tackling legacy spending. The issue is how you look at the extent of what needs to be reallocated—"waste of expenditure" is not the right term, but you know what I mean, because there are so many spending areas that you could reallocate to a higher priority spending area.

I encourage Scotland to look into that, because you can have in place the process that you do—it is good to have that as part of the budget-setting process—and also put in place the other kind of process. It would be really beneficial for Scotland if the Government were to explore something along those lines.

The Convener: Thank you, Álfrún. That is really helpful. I will move on to Murdo Fraser.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, and thank you for your evidence this morning. I will pick up a couple of the issues that the convener highlighted at the start.

Álfrún, a moment ago, you mentioned the comparison with 2008 and how countries responded to the financial crisis at the time, and the differences that we have seen. Can you expand on that and say a bit about what lessons we can learn from the responses in 2008? Is a different approach being taken now, either in other OECD countries or in Scotland?

Álfrún Tryggvadóttir: That is an extremely interesting question. At the OECD, we have been analysing and looking into that. It is the important point about learning from crisis. We did not do that extensively after the 2008 financial crisis—we did not look at how to respond to a crisis. That is quite obvious today. At least, that is what we see in different countries.

The main difference between the two crises is that, immediately after the 2008 financial crisis, fiscal consolidation measures were put in place—that happened right away. During Covid, countries have been spending a lot of money, and no one really knows where the money has been going or how it is being used. That is the problem. Now, two or three years after Covid began, countries are waking up and thinking that they really need to do something to respond, because there is no

space to respond to any extra public financial needs.

That is, of course, the biggest difference between the two crises. The sharp fiscal consolidation measures that were taken in 2008—I am talking about spending reviews in that context—were used to cut expenditure rapidly. That is not really good, because things were not really done in the correct way, and that really hit countries afterwards.

That is the biggest difference between the two crises. We are afraid that countries will have to take sharp fiscal consolidation measures this year and next year and that they will hit hard. The energy crisis and everything else on top of the Covid crisis will further expand the need for some sharp fiscal consolidation measures.

That is why we are talking to countries about the importance of having good budget practices in place. Countries need solid spending review practices and to be able to analyse baseline expenditure. They need to have a good structure around their budget. It is important to note that the good thing that happened after the 2008 crisis was that many countries really improved their budget structures and implemented medium-term expenditure frameworks, spending reviews and performance budgeting, and all that is proving to be beneficial.

I do not know whether that completely answered your question, but I would be happy to take any further questions.

Murdo Fraser: Thank you. That is really helpful.

In response to a question from the convener, you suggested that there were pre-Covid areas of spending that were not as well targeted as they could have been, but they have just carried on. The Government has not really made an attempt to look at how effectively the money has been spent. Did you have anything particular in mind when you said that? Can you give us any examples of areas of spending that you think needed to be looked at more closely rather than just being rolled forward?

Álfrún Tryggvadóttir: That is a really good question. I am a former budget person in the ministry of finance in Iceland, and I would say that there is waste within every spending area. I do not know whether anything specific can be mentioned in the context of Scotland, but I guess that all countries are similar in that way.

In every OECD country, there has been a gradual increase in every spending area. We really need to take stock and say what we now have to think about. We all have the same discussions and say that there is not enough money in the system, but there are still increases

in basically every spending area. Governments need to take stock and ask what can they do to respond if there is an increase in spending and there is still a gap between need and expenditure. Is spending not being used as it should be used? Every policy maker should be asking themselves that question today.

However, I do not know about anything specific. I would just say that there is quite a lot of waste in every spending area. You could find room everywhere.

Murdo Fraser: Okay. I appreciate that that was probably not a fair question to ask you. It is our job to find the waste in the Scottish Government's budget, not yours.

I have one more question about looking ahead. We have been through the Covid pandemic. We might have more variants or strains of Covid, or we might have another pandemic. Do you think that Governments across the OECD countries, including in Scotland, are doing enough to plan ahead for a potential future pandemic?

Álfrún Tryggvadóttir: My gut feeling is that the answer to that is no. That is what I wanted to mention in relation to the question on the dashboard at the beginning of the session.

The most important thing now is to learn from the crisis. We all agree that, if another pandemic were to hit countries around the world, we would not want to respond in the way that we did the last time, when Covid hit. That is an important point.

Countries have to learn in many ways, and not just on the budget side. We know that what goes into the budget is really difficult to get out of it. That is the most important thing. How do you really see what the urgent need is for expenditure, and then what needs to be in the system for a longer time?

My intuition is that countries have not been doing enough. They might have done more if we had not had a crisis on top of a crisis. If they had been able to follow through with the Covid lessons and there had not been another crisis on top of the Covid crisis, maybe then they would have done enough. That is where we come in: it is also the responsibility of international organisations such as the OECD and the International Monetary Fund to assist countries in that way.

Jackie Baillie: How is Scotland's national performance framework linked to policy decisions, if it is at all?

Álfrún Tryggvadóttir: I will start, but I am sure that Indre Bambalaite, who is the performance budgeting expert, will also jump in.

We were looking at the performance framework this week. As I said, unfortunately, we have not

worked directly with Scotland, although I hope that we will in the future. Therefore, we have not analysed the framework in the detail that we would like to have done.

You have an excellent performance framework in place. You tick all the boxes. You have good indicators and integrate other aspects into the performance framework, but there is a missing link to the budget—feel free to correct us if that is not right. You have two stand-alone frameworks: the budget process and a really good performance framework. However, for parliamentarians and other decision makers, there needs to be a clear link between the two.

That is the first point that we wanted to make from our analysis.

Jackie Baillie: You appear to be saying that the framework is good and there is a sufficient level of detail in it, but the link with the budget is missing. Is the position similar in other OECD countries or are we an outlier?

Álfrún Tryggvadóttir: You are definitely not an outlier. Some countries have implemented performance budgeting, as you have done, but they directly implement it in the context of the budget, which is good. Other countries, such as Scotland, have two separate frameworks, which means that it gets difficult to take into account what is in the performance framework when budget decisions are made. It is also to be noted that, if you fully integrate the two processes, there is a risk that there will be an overflow of data and it will be difficult to analyse, but you can do it subtly and at least highlight key performance indicators—what drives the big spending areas. It is really important to have that in the budget.

Scotland is not an outlier, but countries are striving to integrate those two processes. I mentioned Ireland. We have been working actively with the Irish on doing exactly that. Many other countries are trying to do the same.

Jackie Baillie: To achieve that, given what you know about our national performance framework, is a further level of detail required, certainly for public display, or is the broad detail that is in it sufficient?

09:30

Álfrún Tryggvadóttir: You need to dig a bit deeper for the performance information. It is good to have information about the bigger picture and to drill down. We have been working on the level of detail that you need for each performance layer. It would be really good to see, in more detail, the link between the budget allocations and the data on performance indicators. Of course, on top of that, the information on things such as sustainable

development goals, which you have in the framework, is excellent, but there would have to be a greater level of detail in order to reflect that information in the budget.

John Mason (Glasgow Shettleston) (SNP): You have said that the way that we use the term “spending review” is a bit different from the way that other countries use it, so I wonder whether we are comparing like with like. From what I can see, for us, a spending review involves looking at the big picture and the overall budget over a few years, whereas, in one of the examples that was given, Germany had a spending review of one part of transport. That seemed to involve looking at one much more specific area in a lot more detail and, as you said, seeing whether the spending was useful. Are we comparing like with like when we use the term “spending review”?

Álfrún Tryggvadóttir: You are correct that you use the term in a different way. When you google “spending reviews”, the first thing that comes up is the framework in the UK, which uses the term. You are talking about the budget-setting process. You set the budget and then you talk about spending reviews. What you noted about the use of the term is correct.

When we hear the term “spending reviews”, we think about analysing existing expenditure. That can be comprehensive. A Government might decide that it needs, for example, to cut 20 per cent of spending and, in order to do that, it might need to analyse areas such as transport, health or education. As you noted, in Germany, spending reviews are more targeted.

Earlier, I was trying to say that the UK and Scotland could have both processes in place. You could implement the more targeted spending reviews that other countries use on top of what you call the spending review and what we would call a budget-setting process.

John Mason: That makes a lot of sense, because my feeling is that we need both processes. If we take the example of health, which is our largest area of expenditure, we know that we spend too much on reactive health spending, such as hospitals, and not enough on community healthcare, such as general practitioners. The challenge that we find is how to switch spending from one area to the other. Would the type of spending reviews that other countries use help us to do that better?

Álfrún Tryggvadóttir: I definitely think that it could be useful for you to have that process in place, as you said. It is, at least, a way to analyse the big, important spending areas, so that you can target something specific in one area. That is what we see in countries that use that process. The Government that is in place can, depending on its

decisions, find ways to identify savings and reallocate them to other spending areas.

We know how the budget process works: rather than focusing on the entirety of the spending that is in place, Governments always focus just on the margins and the additional money that is needed to tackle the issues that spending entities have. Spending reviews as I have described them allow Governments to do that. I would definitely encourage Scotland to look at ways of implementing such a process. That is the only tool that Governments have to analyse existing expenditure. There is always room to find savings in the system.

John Mason: Can you give us examples of any countries that have undertaken such a review that has led to major changes in how they do things? I am particularly interested in preventative spending: spending more to prevent things from happening, whether that be ill health or crime, for example. We struggle—I think that this is the same for other countries—to disinvest in secondary expenditure.

Álfrún Tryggvadóttir: The point about prevention is really interesting. If you tackle a certain area, would you have to analyse whether there is a need to spend more on it? Is that what you are asking?

John Mason: Across the political parties in Scotland, most of us agree that we should allocate more to prevention and that spend should be less reactive. However, because we already put money into hospitals and prisons, for example, we find it difficult to change that approach.

Álfrún Tryggvadóttir: Exactly. You want to be proactive rather than reactive. That is the nature of budget processes in most OECD countries. The mode is one of constant reaction; you react to crisis all the time and there is no chance to analyse where the need is.

We have some examples of that, and we would be happy to send you more details on those after the meeting. Canada is an example of a country that, after the 2008 crisis, analysed its spending in detail.

Spending is a tool that allows you to be proactive. Analysing spending areas allows you to see areas in which there is no longer a need to spend and other areas in which the need is greater.

We have plenty of examples that we can share, including those from Canada and Scandinavian countries. Norway and Denmark have been extremely good at doing that. Ireland was quite active after the 2008 crisis, and it has used spending reviews differently. Many countries have good processes in place to do that.

Unfortunately, however, spending reviews that are carried out as a result of a crisis kind of fade away when that situation goes away. They do not fade away as such; they have a different purpose. They look more into effectiveness and value for money, rather than being proactive. At times of crisis, Governments tend to think that they have endless amounts of money that they can spend on whatever, as we mentioned earlier.

As I said, we would be happy to send you more details on those countries, if that is needed.

John Mason: Thank you. That is helpful.

I will move on to Covid specifically. The Scottish Government's intention is to bring its Covid strategy to an end this summer. Is that too soon? Should the period of recovery from Covid be longer, or should we put that aside and deal with general problems from now on?

Álfrún Tryggvadóttir: My gut feeling is that that is a bit soon. We have not been able to analyse the situation in detail, but, in order to learn from the pandemic, the smartest thing to do might be to shift a bit. It is a question of learning from the pandemic and looking at how we can react, because countries are still trying to get out of the pandemic.

We were analysing the recovery strategy this week. It would be good for the period to be a bit longer. As I said, we see that happening in other countries. It is about learning a bit more from the pandemic and taking lessons from it to prevent the same things from happening again.

John Mason: Thanks very much.

Brian Whittle (South Scotland) (Con): Good morning. I thank the witnesses for their evidence. I will follow on from my colleague's line of questioning. We understand the front-line cost of dealing with Covid—we know what the investment in that was—but I am interested in the spending required for the fallout from Covid.

We know that the cost of Covid was higher because of our poor health report card. A lot of people who suffered from Covid and tragically lost their lives were dealing with other issues, such as obesity, type 2 diabetes and heart conditions. However, in dealing with Covid, we had to drop our focus on such conditions. Should OECD countries prioritise conditions such as long Covid and non-Covid-related diseases and other issues that were affected by Covid restrictions, such as cancers, elective surgery, mental health issues, obesity and physical fitness? Will we need to reinvest in addressing those conditions as we deal with the fallout from Covid?

Álfrún Tryggvadóttir: Yes. After the Covid pandemic, many OECD countries are thinking

about issues such as mental health, which is a big issue for many countries.

However, as we said earlier, the problem is that countries have not been able to take stock and think about what needs to be done to tackle the issues that have resulted from the Covid pandemic, because there has been crisis on top of crisis. The general feeling is that Governments are in reactive mode at the moment, so it has been difficult to tackle those issues. With the energy crisis and everything else, it has been really difficult for countries to focus on those issues, unfortunately.

Brian Whittle: In relation to planning for the next pandemic, are you saying that we are being reactive and that Governments are looking at what is in front of them right now, rather than at what is coming down the line, so the whole preventative agenda has been parked? Do we need to try to lift our heads and look further down the track?

Álfrún Tryggvadóttir: Definitely. In 2022, countries were in reactive mode and were just trying to figure out how to deal with crisis on top of crisis. We hope that, this year, countries will take stock and think about how we can learn from the pandemic. We spoke about spending reviews. We want countries to dig a bit deeper and to be proactive instead of reactive.

The preventative agenda has not been parked—well, maybe it has been parked for a bit. That is because most Governments have not had to deal with such big issues before. I am not saying that the issues that you mentioned are not big—they definitely are—but Governments have not been able to tackle how to prevent them and to learn from the pandemic.

I do not know whether people in Scotland feel the same, but the general feeling that we get is that there is definitely a willingness from Governments of OECD countries to learn and to do better if something like the pandemic happened again. Unfortunately, in most countries, there has not been the scope to deal with all of the issues.

Brian Whittle: My last question on that subject is about the collection of data. Are we collecting the right data to be able to detail the impact of Covid not only on the population but on non-Covid-related conditions? Are we able to disaggregate the data to be able to plan ahead?

Álfrún Tryggvadóttir: The issue of data is at the centre of what needs to be tackled. My feeling is that we do not have the data on the specific issues that you mentioned. It is really important to have that data, so countries need to focus on that.

Many countries struggle in general with access to data, how to gather data and how to use data in the budget process. As we talked about in relation

to the performance budgeting framework that you have in place, how do you reflect the correct data? Do you have a sufficient information technology structure to create user-friendly dashboards?

That is definitely a big issue that needs to be tackled. You have to gather the correct data to be able to analyse and learn from the crisis.

Brian Whittle: Thank you.

09:45

Jim Fairlie (Perthshire South and Kinross-shire) (SNP): I have listened to all the questions and answers, which has given me a very splattered picture of where we are. We have a spending review that is not actually a spending review—it is a forward plan—but we are not looking back to see whether we have spent the money wisely. You will have to bear with me, because I am trying to piece all this together as I go along.

In response to Murdo Fraser's questions, you talked about the fiscal consolidating that was done in 2008. During Covid, we spent money regardless—it was just paid for—but lessons were learned from the 2008 crisis. I know that this is a big ask, but if we take the war in Ukraine and the energy situation that that created out of the picture, could the current cost of living crisis, which has been exacerbated, have been predicted from applying the lessons of 2008 to the massive spend during Covid, when economies stopped working? It is a wee bit like putting a dam in water—once you lift the dam, the water flushes out. Should we have known what the effects would be? Could we have better predicted the cost of living crisis, given the spending that we racked up during Covid?

Álfrún Tryggvadóttir: We could definitely have told ourselves that it would happen, regardless of what is happening in Ukraine. Interest rates were very low in many countries during Covid, so we thought that money was free. We know what happens after crises when Governments spend a lot; there is a payment day when you really have to look at what you have been spending.

Setting everything else aside, yes, the current crisis could have been predicted; everyone knew what was about to happen. I do not know whether Governments did not want to tackle the situation because there was too much to tackle at that moment. Economists around the world said, "There will be a day when you need to pay it back."

You ask a good question. In the first year of the pandemic, money was flowing everywhere. Governments were spending money not only on health—it was much bigger than that. The way in which central banks responded to the crisis was

quite different from how they reacted to the 2008 crisis.

Everyone should have known that we would be in this situation in 2023. I do not know whether it is a good shield to say that other things happened, which means that it is now more difficult to tackle the crisis. That is my response.

Jim Fairlie: There is a feeling that we could have planned ahead better, which leads me on to a further source of confusion—there is a lot of that in this evidence session, I have to tell you.

We have an excellent performance framework, but a link to the budget is missing. Other countries link the two. What other countries do it the way that Scotland does it? Why is it done in that way, rather than by linking the budget to the performance framework?

I am sorry—I am not asking you to look at the issue from Scotland's point of view. I am asking about what happens in other countries that you deal with; I know that you have not had a direct link to Scotland.

Álfrún Tryggvadóttir: I can give an example. The Netherlands used to have quite a good link between the performance framework and the budget documents, but that has now faded away. I do not know why; maybe that was not the political way to do it or maybe it was too much to do. I do not know whether Indre has any examples of countries that do it in a similar way to Scotland.

Indre Bambalaite: I will jump in. Countries that have completely separate performance frameworks are striving to establish the link with the budget. It is likely that countries that had separate performance frameworks in the past are now trying to find the right link with the budget. For example, countries such as Greece and France are really striving to find the right link in order to decide what data is the right data to put in the budget and how it should be presented.

It is better to look at the countries that managed to establish that link and to have decision-making tools so that the information is within the budget. If you look at Ireland—your neighbours, basically—you will see that they have a lot of performance information in the budget, but whether the right information is included in the budget is another question. We always talk to countries about the fact that they should be very selective about the information that is included in the budget, because if you just take your framework and include all the information in the budget, the question is whether that is usable and whether parliamentarians and committees such as this one can make sense of it.

There is also the question of who develops that information. Is it, for example, the ministry of finance? Who develops the performance

information to be included in the budget? We always talk to countries about the fact that it should be the standing entities that develop that information. They should have ownership of that information, and that is where the accountability angle comes in. I have shifted away from the main question, but let me know if you want me to continue.

Jim Fairlie: You have actually led me very neatly on to my next question by talking about what data is included. Brian Whittle stated that we had a bigger cost during Covid because of our particular health challenges. Is that correct? Has Scotland had to pay more during Covid because of our particular health challenges? Has it cost us more, financially, than other countries because of Scotland's health challenges?

Álfrún Tryggvadóttir: Are you asking whether the health cost has been higher in Scotland because of the previous challenges in the healthcare system?

Jim Fairlie: Yes.

Álfrún Tryggvadóttir: I would say no. You are facing exactly the same challenges as most other countries. The problem area in most countries is health spending.

Jim Fairlie: We are talking about looking ahead to another pandemic. We want to plan for another pandemic and we want to tackle our current health problems, but we also want to put money into preventative spending. If I was a finance minister looking at that right now, I would be saying that I would have to quadruple my budget in order to make all those things happen. How does a Government take all the data, information and challenges and make that fit? How do you do that?

It is not a trick question—it is a genuine question.

Álfrún Tryggvadóttir: If I was a finance minister, I would say to other ministers, "Isn't there any way to find some savings among all the money that you have in place?" That is linked to the importance of data. Are the needs of citizens the same as they were in 1990, for example, given what has happened in many areas?

As I said, what goes into the budget rarely comes out of the budget, so if you really look into the budget in Scotland or any other country, I think that you will find that there is quite a lot of room to make some spending cuts. A finance minister would rather ask the question, "Can we find some informed spending cuts?" That is where spending reviews come in handy, because you never get to analyse across-the-board spending cuts; it is about where you can really make the savings. That is the question that I would ask. I know that

that is easier said than done. We can all find some savings within our envelopes.

Jim Fairlie: Your point that what goes into a budget never comes out of it again is a really interesting one. In other words, once it is tied in, it is baked into future spending so that the money is never lost. Speaking anecdotally, local authorities will spend money at the end of a financial term in order to get rid of it, so that they do not lose it out of the budget. We have forward spending reviews, but you are saying that we could help to tackle those issues by having previous spending reviews to look at how the money was spent and whether that gave us value for money. Is that what you are saying? I am putting it in very simplistic terms.

Álfrún Tryggvadóttir: Yes, definitely—that is one way of saying it. You can look at how spending has performed over time. That is one way of using spending reviews. As you say, there is that December fever. Every spending entity says, “We have to spend everything so that the ministry of finance doesn’t think that we don’t need the money next year.” There are no incentives for underspending. It is really important to have those. How can you bring that to the table?

One thing that we learned from the 2008 crisis is that countries tried to implement new frameworks around budgeting that tried to put in place some incentives for more accountability on the part of spending entities and incentives to really—*[Inaudible.]* However, that is really the problem: if you focus on the margin, you will always think that you need more and you will never think about how you are spending all the money that you have in place.

Jim Fairlie: That is hugely interesting. Thank you very much.

The Convener: That brings our questions to a close. I thank Álfrún Tryggvadóttir and Indre Bambalaite for their evidence and for giving us their time. If you would like to provide any further evidence to the committee, you can do so in writing, and the clerks will be happy to liaise with you on how to do that.

I will briefly suspend the meeting to allow for a change of witnesses.

09:57

Meeting suspended.

10:01

On resuming—

Budget Scrutiny 2023-24

The Convener: We turn to agenda item 2. The committee will take evidence from the Scottish Government on its budget for 2023-24. I welcome to the meeting John Swinney, the Deputy First Minister and Cabinet Secretary for Covid Recovery; Simon Mair, deputy director of Covid recovery and public sector reform; Christine McLaughlin, director of population health; and Jamie MacDougall, deputy director for budget and public spending. I welcome you and thank you for your attendance this morning. Deputy First Minister, would you like to make any remarks before we move to questions?

The Deputy First Minister and Cabinet Secretary for Covid Recovery (John Swinney): Thank you, convener. I will make some brief opening remarks.

I am grateful to the committee for the opportunity to discuss a number of matters that relate to the impact of the 2023-24 budget with regard to the Scottish Government’s Covid recovery strategy and the Covid-19 strategic framework—as well as any other issues that are on the minds of committee members, of course.

The Scottish Government’s 2023-24 budget has been developed in the most turbulent economic and fiscal context that most people can remember. The impacts of the pandemic, coupled with Russia’s continued illegal invasion of Ukraine, have created a disruptive set of financial and economic challenges that every Government must address: energy and fuel prices are surging and inflation has reached a 40-year high. Furthermore, the UK Government is responsible for additional uncertainty and instability: Brexit has impacted our labour supply and undermined trade with our nearest neighbours. These are incredibly difficult times in which to manage public finances, and the constraints of devolution mean that the Scottish Government cannot borrow to meet additional costs that arise during the financial year.

In that challenging context, the 2023-24 budget focuses on reducing child poverty, supporting a just transition to a net zero economy and delivering fiscally sustainable person-centred public services. Those priorities are aligned with the principles of the Scottish Government’s Covid recovery strategy, which focuses on addressing systemic inequalities and supporting those who were most disproportionately affected during the pandemic. Since the Covid recovery strategy was published, the worsening cost crisis has made it even more critical for the Scottish Government to focus its efforts on supporting those most in need.

The Government has consistently taken decisive action to prioritise spending where it is most needed, including in the emergency budget review. The 2023-24 budget demonstrates the Scottish Government's continued commitment to prioritising those who most need support. For example, we are extending and increasing the Scottish child payment to £25 per child per week, uprating all devolved benefits by 10.1 per cent, widening the warmer homes fuel poverty programme and freezing rail fares until at least March 2023.

In total, the Scottish Government has allocated around £3 billion this financial year to contribute towards mitigating the increased costs crisis. More than £1 billion of that support is available only in Scotland, with the remainder being more generous than that provided elsewhere in the UK.

With regard to the on-going response to Covid-19, the Scottish Government published a revised strategic framework in February 2022 that sets out our long-term approach to managing Covid-19 and its associated harms.

The Scottish Government remains alert to the threat that potential new variants of Covid-19 pose, and I welcome the national respiratory surveillance and variants and mutations plans that have been published by Public Health Scotland, which set out the processes that will be undertaken to identify and assess any future risk. We are supporting those plans with direct investment of approximately £7.4 million and £3 million respectively, with up to a further £3 million available for waste water surveillance.

The Scottish Government continues to work with partners and is ready to respond to any increase in the threat that the virus poses, whether that comes from waning immunity, a new variant or other factors. In any future response, we will apply careful judgment to ensure that responses are appropriately targeted and the necessary resources prioritised. In my recent letter to the committee, I included further details of funding arrangements for the on-going pandemic response. I will continue to keep the committee updated on in-year changes to the Scottish budget through corporate reporting and in-year budget revisions.

I am happy to answer any questions that the committee might have.

The Convener: Thank you, Deputy First Minister. I think that we all appreciate how challenging circumstances are at the moment for the Government.

We move to questions. I will begin. The latest data estimates that one in 25 people in Scotland currently have Covid. Due to the vaccinations, we are in a much better place than we were in 2020

but, sadly, in Scotland, we lost 2,864 people to Covid in 2022, and 81 people have lost their lives to it so far in 2023. Our thoughts go out to every family, but behind those statistics is the stark reality that Covid is still a threat. Can the Deputy First Minister give us an update on the Scottish Government's plans for the next round of booster vaccinations, including the predicted timing, targeted groups and estimated funding requirements?

John Swinney: The data that you recorded about the loss of life in relation to Covid is very sobering and demonstrates the importance of taking all necessary measures that are appropriate in the context to protect the population against Covid.

Obviously, the commitment that the Government has given to the vaccination programme has provided significant protection for wider population health in relation to Covid. The vaccination programme that has been set out is targeted at a range of particular groups that have been identified by the Joint Committee on Vaccination and Immunisation. The Scottish Government continues to do what it has always done, which is to follow the clinical advice that is given to us by the JCVI. The Covid vaccination programme is available to a wide variety of groups, including older adults in care homes, people who are over the age of 50, front-line health and social care workers, and those people in the five to 64 age group who are at risk from Covid.

While the vaccination programme is targeted towards those individuals, the uptake varies in different groupings. For example, in older adults in care homes, the uptake in Scotland is 89.3 per cent; among the over-65s, it is 90 per cent; and, among those people who are aged 50 to 64, it is 64.3 per cent. The uptake rate for front-line health and social care workers varies, but the percentage is in the low 50s. Although there is variation, those are generally pretty high rates of uptake of the available vaccination.

In relation to cost, the expenditure on vaccination in the current financial year is expected to be around £170 million. That does not include the cost of the vaccinations; those costs are dealt with as part of the four-nations programme. If we were to opt out of that programme, we would be likely to get a consequential but, for reasons of efficiency and procurement, we have habitually taken part in a four-nations programme on, for example, flu vaccinations. That is the cost of the delivery of that programme in Scotland, and we are planning on a relatively similar amount in the 2023-24 forecasts.

My final point is that we have followed the advice of the Joint Committee on Vaccination and Immunisation this year, and we expect to follow it

next year and to fund that accordingly. We await further advice from the JCVI about its review of the appropriate steps to take for a vaccination programme for the next year. We anticipate that the current programme will end at the end of March.

The Convener: That is a helpful update. Thank you. Will you provide an update about news reports that the coronavirus and Covid-19 infection survey for Scotland, which is carried out by the Office for National Statistics, might be shut down in the spring? What implications would that have for the monitoring of and recovery from Covid?

John Swinney: I will invite Christine McLaughlin to provide some information about that. I make the point that we now have significant health protection for the population as a consequence of the effectiveness of the vaccination programme, so there is no longer a necessity for the scale of arrangements that we had at the height of the pandemic. Even if there is a new Covid variant, the level of population protection is very high because of the vaccination programme.

Having said that, it is still important to have effective surveillance and monitoring arrangements in place to ensure that we can accurately gauge whether we have a wider problem that needs to be arrested. Some of the information that I placed on the record in my opening statement set out the type of societal assessment that we routinely undertake to ensure that we have those preparatory arrangements in place.

I invite Christine McLaughlin to say something about the ONS survey.

Christine McLaughlin (Scottish Government): Discussions across the four nations are on-going. As members will know, one strength of the ONS study has been its consistent, four-nations approach. As far as I am aware, no decision has been taken yet. The matter is part of the consideration of the scope and shape of the surveillance programme for the next year.

The ONS study has been world leading and it has been very useful to have that data, but it is just one of several sources of data. I think that you have had Public Health Scotland talk to you about our surveillance approach. We have invested in new areas of surveillance that we did not have in place before or did not have to that extent. There is a community surveillance programme, which is a rolling programme of tests in community settings. Samples are also taken every week in acute hospital settings and are tested and sequenced. That is also part of our surveillance.

Members will also know that we have technology for waste water testing, which we did

not have before. That has been so successful that we are not only looking to maintain it, but looking for other uses for waste water testing. We have recently put polio testing in place. We can now even sequence waste water samples. Our public health teams see that as a really valuable technology. We also have the SARS-CoV2 immunity and reinfection evaluation—or SIREN—study of routine testing that healthcare workers voluntarily take part in.

For us, surveillance is all those things taken together. The ONS study has been a unique component of that, but it is also a very expensive part of our surveillance when compared with things such as community or hospital surveillance. It needs to be looked at in the round. Its strength has been the consistency across the four nations. We can see what is happening and can understand the regional components of the data. We never look at the ONS data on its own; we always look at it with data from other sources to see whether they are all saying the same thing.

In case the ONS study is not to continue at the same scale or on a four-nations basis, we have already been working through with our Public Health Scotland colleagues whether we would bolster some of the other surveillance that we have in place. The weakness might be that we would not have consistency across the four nations as we go forward. However, that is a live part of our discussions and we are a partner in those considerations rather than it being solely a Scottish decision.

10:15

The Convener: We have taken evidence on surveillance, so the committee is familiar with that.

Murdo Fraser: Good morning, cabinet secretary and colleagues. I am interested in exploring a little bit further how Covid-related measures will be funded in the budget for the coming year. You mentioned the booster vaccination scheme and you will recall that we had an exchange about that in the chamber yesterday. Is it expected that, in the coming year, there will be another programme of booster vaccinations? Has funding already been set aside for that in the budget for next year or are we waiting to see what happens elsewhere?

John Swinney: We are working on the assumption that a further booster programme will be implemented. As I indicated in my answer to the convener, sums of money at about the same level as those that we have had in the budget for this year are predicted to be deployed in the next financial year to support a booster programme. Obviously, if we get advice that the programme is not necessary, that money will not be required, but

a prudent assumption at this stage is that there is likely to be a booster programme.

Murdo Fraser: If another variant or—perish the thought—another pandemic occurred in the coming financial year so there was a need to step in with new interventions such as bringing back the track and trace service, would there be anything in the budget to fund that or would you be reliant on Barnett consequentials from what happened elsewhere in the UK?

John Swinney: We are making provisions in the budget for what I describe as a baseline level of preparedness for further challenges from Covid. However, I make a distinction in my response to Mr Fraser's question between a new variant and a new pandemic, because those are two fundamentally different propositions.

On the basis of what we know and the variants that are around, we are fairly confident that the level of population-wide vaccination protection would enable us to withstand the effects of a new variant, given the level of protection that is inherent in the vaccination and the nature of the variants that are emerging. A completely different pandemic would be a different matter altogether. That could conceivably require us to put in place the type of arrangements that we have experienced over the past three years.

Obviously, we hope that it will not happen but, to enable us to respond to all those scenarios, we have certain provisions in the budget for the surveillance activity that Christine McLaughlin talked about. We have provisions for a level of testing, the delivery of a further vaccination programme and a level of workforce considerations, personal protective equipment issues, equipment considerations and some wider factors. Those are built into the budget. That is funded from the overall budget that is available for the health and social care portfolio, which is in excess of £19 billion.

A certain amount of consequential funding from the United Kingdom Government comes generally for health and social care priorities as a consequence of decisions that are made in the autumn statement and announced by the Chancellor of the Exchequer. However, the Scottish Government is putting more than those Barnett consequentials into the health service. It was an explicit part of the statement that I gave to Parliament in December that I was making tax changes and applying tax increases to enable me to be in a position to better fund the national health service, which we have been able to do.

Murdo Fraser: That money has been set aside in the overall health budget. Should it not be required, could it be redeployed elsewhere?

John Swinney: On the level of provision that we have here, I do not really think that that could be the case, to be honest. I would expect to undertake expenditure around PPE preparedness—the committee will be familiar with the importance of the PPE provision in general in all aspects of the health and social care system. I cannot be certain, but it is likely that we will have a booster vaccination programme, so that money will be spent. In addition, the testing arrangements are at a level of preparedness in that we maintain a capacity to undertake testing, which creates a platform for us to significantly increase it should we be required to do so.

The best answer that I can give is that I expect that expenditure to be required during the financial year. Of course, we monitor the situation regularly. The committee will appreciate from the updates that I have provided on the wider financial situation that, for the Government, demand and pressures on the budget in general can vary widely over the course of the financial year. Even if we do not have to spend the money in those areas, I imagine that something else could come along that would demand further expenditure.

Murdo Fraser: The Covid recovery strategy is currently due to wind down by the summer of this year. Is it still your intention to wind it down on that timescale?

John Swinney: I am not sure that I would express it in that way. I understand that Mr Fraser is looking at it from an 18-month perspective, but if we look at the themes of the budget that I set out in December and those of the Covid recovery strategy, a dispassionate observer would see a very strong link between the two.

I think that the best way for me to express it is to say that the Covid recovery strategy is being mainstreamed within the Government's budget and policy programme. For example, the emphasis that we place on the shift to person-centred public services is absolutely central to the budget programme, and the emphasis on eradicating child poverty, which is implicit in the Covid recovery strategy, is central to the budget priorities that I set out in December. The focus of the strategy and the indicators of performance is part of the performance framework of the Government.

Jackie Baillie: Good morning, Deputy First Minister. I am conscious of and understand the difficulty and uncertainty in predicting what will happen with the pandemic, particularly as new variants are being experienced. However, what I see is that population testing has largely ended and the Lighthouse labs are closing. It has been suggested to me that antiviral medication is not getting to people in time, and we are not yet using prophylactics in Scotland.

All those things will vary depending on the prevalence of Covid at any time, but I want to explore what the flexibility and surge capacity are, beyond what you have said, that would allow things to be flexed up really quickly. In response to Murdo Fraser's questions, you talked about additional funding for the health budget, but are those measures covered by existing Covid consequential or have you had to add to them?

John Swinney: I will try to deal with the number of issues that Jackie Baillie has raised. First, I observe that she has talked about her experience of antivirals. I also have some experience of antiviral distribution and I could not compliment the health service more for my family's experience of the availability of antiviral drugs. The efficiency of the delivery and the impact of the antivirals, for which our household was profoundly grateful, stunned me, to be frank.

On the flex capacity, there is a careful judgment to be made. I assure the committee that the Government's strategic approach and our budget provisions are designed to create an appropriate platform from which we could increase provision. It is a higher level of preparedness than there would have been prior to the intelligence on Covid—

Jackie Baillie: That was quite a low bar.

John Swinney: —but it is an appropriate platform. Christine McLaughlin has gone through the information on wider population surveillance, which has developed remarkably in a short space of time and which provides us with significant levels of intelligence. We are monitoring that information carefully for any signs of development and deviance of performance that might raise concerns. We are also plugged into international networks on new variants and we are monitoring those carefully.

There is a level of testing capacity. We have maintained the laboratory at Gartnavel, which, as things stand, has the capacity to process 60,000 tests a week. That is a formidable level of testing capacity. We also have regional PCR testing arrangements in different parts of the country. We have stocks of lateral flow devices that can be deployed should a new variant emerge, along with plans for a new variant, should they be required.

We are following closely the thinking and expertise of the pandemic preparedness committee that is led by Professor Andrew Morris, who has given evidence to the committee, to ensure that we are maintaining an appropriate approach. As I said in an answer to Mr Fraser, a variety of other investments are being made routinely in the budget programme on PPE and other factors.

It is difficult to be precise about consequential. If my memory serves me correctly, arising from the

statement that the Chancellor of the Exchequer gave in November was a consequential for health and social care of between £200 million and £300 million. We have added to that to uplift the budget by about £1 billion.

10:30

As Jackie Baillie knows, the UK consequentials do not come with a badge on them, other than a badge of health. We have generally taken the consequentials from health and put them into health and social care. However, they do not come with a badge that says "Covid consequential" or whatever. Uplifts in the English departments give rise to a Covid consequential for the Scottish Government. We have increased that by the contributions that we have made.

Jackie Baillie: May I ask about long Covid?

John Swinney: May I make a final point? The cost of the vaccine is handled through a four-nations agreement with the UK Government outwith all the sums that I have just talked about. In theory, if we were to say that we were not part of a four-nations arrangement, we would get a consequential for that. However, on a variety of vaccination programmes including those for flu and Covid, we have generally taken the view that there are logistical and procurement advantages to being in a four-nations arrangement.

Jackie Baillie: Sure. I understood that from your previous response, but that is a helpful clarification.

I think that we would agree that long Covid is a considerable challenge not just in health terms but economically. The number of economically inactive people has increased substantially as a consequence of long Covid. The sum of £3 million was announced for NHS services to help with that this year, but that was when 77,000 people were affected. Now, 180,000 people are affected. Given that that intervention is not just for health purposes but is an economic intervention, what plans are there to increase the amount that is available for the treatment of long Covid?

John Swinney: I agree about the importance of long Covid and supporting the recovery of individuals who experience it. However, I challenge Jackie Baillie on the point about a significant increase in economic inactivity, because that is not what the data says. Data that was published on Tuesday shows that economic inactivity in Scotland has reduced by 0.8 per cent over the year. The fall was larger in Scotland than in the rest of the United Kingdom. I appreciate that there will be ebbs and flows within that, and that some people will become economically inactive because of long Covid, but for the accuracy of the

data that the committee has before it, I note that that is the position on economic inactivity.

There has been a significant amount of discussion about the appropriate means of addressing individuals' experiences of long Covid. Fundamentally, there will be a need for health interventions to support individuals. It is difficult to disaggregate what is spent in the health service on supporting people with long Covid, because that will be felt in a variety of areas, such as services in community settings—for example, the work of general practitioners—and more specialist clinics, where people will be provided with support that addresses their experiences.

As I said, the health budget has been increased by more than £1 billion during the year to provide the capacity to meet the health needs of the population. That will of course include people who have experience of long Covid, and it is important that individuals who have that experience are supported in the appropriate way.

Jackie Baillie: I have a final question, convener. Can I clarify—

The Convener: Sorry, Jackie, but can I move on to John Mason? We will come back to you if we can. We are short of time.

Jackie Baillie: Okay—no problem.

John Mason: Deputy First Minister, you answered the convener's question about how vaccinations are going. The figures for the over-65s and older adults in care homes seem very good, but the figures for care workers do not seem quite as strong—I think that you said that the uptake rate was around or below 50 per cent. For specified front-line social care workers, I think that the figure is 39.8 per cent, which seems quite low. Do you have an explanation for that?

John Swinney: I cannot give a definitive explanation. For example, the uptake rate for front-line social care workers is 63.2 per cent. There are other categories for which the figure is slightly lower.

Much of the reason for that can be about convenience of and access to services. Some of it can be because people performing those roles might have to take time to access those services when they are under pressure to fulfil their social care tasks, which is obviously quite a conundrum for individuals. Those people are on low pay and have difficult dilemmas about how they spend their time.

John Mason: Do you think that there is active resistance? Misinformation continues to come to me on social media. Is that having an impact?

John Swinney: I do not think so. The numbers are increasing week by week. We are not at the

end of the programme; we are in January and still have the best part of two and a half months to go. We are trying to make it as easy as possible for people to access opportunities, with clinics widely available across the country.

I accept that meeting the cost of travelling somewhere else is quite difficult for people in low-income situations. That is why we are taking all the practical steps that we can to support people in those circumstances.

John Mason: You replied on 20 December to the letter that the committee wrote to you. Our first question was about Covid recovery and the cost crisis—specifically, whether inflationary pressures and the cost crisis are negatively impacting on the Covid recovery strategy. We got a page-long answer, but I was still not very clear about the matter having read it. Can I press you on that point? Are inflationary pressures impacting on the Covid recovery strategy?

John Swinney: I will sharpen up my language for Mr Mason. My long and detailed text was designed to say that yes, of course, inflationary pressures are putting enormous pressure on the Government's budget in general and will inevitably put pressure on the Covid recovery strategy.

Because of his membership of Finance and Public Administration Committee, and his assiduous following of financial matters in Parliament, Mr Mason will be pretty familiar with my current worry list. At the top of my worry list is the fact that there has been no restatement of the budget available to the Scottish Government during 2022-23 and no additional consequential funding to deal with inflation since the start of 2022-23. The budget was set when inflation was expected to be 2 per cent; inflation was at 10.5 per cent yesterday, and there has been no consequential funding to assist us. The Government has also had to wrestle with legitimate pay claims from public sector workers.

As a consequence, I have had to take some very difficult decisions to reduce public expenditure to try to balance the Government's budget. At the same time, I have made provision for the Government to increase the value of the Scottish child payment to £25 a week, which is a direct investment to support families struggling in the cost crisis and which I know will be of benefit to many of Mr Mason's constituents.

After all that, Mr Mason will be familiar with the fact that I am still wrestling with a predicted overspend of between £200 million and £500 million on the Government's resource budget in this financial year. It is unprecedented for a finance minister to be wrestling with a problem of that magnitude so late in the financial year.

John Mason: Absolutely—I completely agree with that. Has anything specific in the Covid recovery strategy suffered because of all that?

John Swinney: The pace of development is perhaps a challenge, but I would counter that by saying that the fact that we avoided local authority industrial action significantly across the country helped to maintain the impetus around the delivery of the Covid recovery strategy. The fact that we have, so far, avoided industrial action in the health service is a welcome consequence of the Government taking on the additional financial strain of wrestling with the public sector pay claims, which we have satisfactorily addressed.

John Mason: On that point, it was previously suggested that the public sector staff numbers, as a whole, would go back to pre-Covid levels. Has that commitment been affected by the pay increases?

John Swinney: We will have to work carefully with trade unions and staff associations over the course of the four-year spending period to reduce staff numbers. The profile of the four-year spending envelope that is available to us could generally be characterised as less challenging in the first two years but extremely challenging in the last two years.

Those are the provisions of the current United Kingdom Government, and the Opposition in the United Kingdom Parliament has made it clear that it would sustain those numbers, should the election result in a change of Government, so we have to prepare on the basis that, in dialogue and partnership with trade unions and staff associations, we will have to carefully reduce head count over the next four years.

John Mason: On a slightly different issue, we have just had an evidence session with the OECD. You came in straight after the session, so I do not know whether you were able to see any of it. There was quite an interesting discussion around spending reviews, in which we established that the OECD's definition of a spending review is slightly different from ours. Its definition is based more on the fact that other countries look at specific areas. For example, Germany had a spending review of transport that really looked in depth at what the Government was already spending, to see whether it could make savings and move forward.

I asked the witnesses whether we could learn from that. For example, we could look at the health service and say, "We are spending all this money on reactive care, but we would like to move more into preventative primary care." The feeling overall was that maybe we could learn from other countries. Is there anything in that space? I realise that that is a new topic, but can we do anything about examining present expenditure to see

whether we can free up more of it? Are we already doing that?

John Swinney: To be honest, I feel as though I am living in a perpetual spending review, because we are wrestling constantly with all of the elements of challenge that you have put to me. When I talk about the public service reform agenda, which I spoke of extensively in the budget statement in December, that is us actively challenging the way in which public bodies are operating, with the objective of delivering greater efficiency.

I appeared before the Economy and Fair Work Committee yesterday, and I was challenged on some of the spending envelopes that are available to enterprise agencies, for example. Of their own volition, those spending envelopes challenge the existing way of working, as they require savings to be made to ensure that organisations can live within them. In the health service, the pressure of increased demand and increased pressure from pay settlements force a requirement to constantly review and challenge the efficiency of how we operate.

There is another fundamental element of thinking, which is the continuous work to deliver, for example, the Christie principles, with which Mr Mason will be familiar. In essence, those operate on the presumption that the earlier that we can make an intervention, the better it can be and the more it will help us to avoid acute interventions. However we badge them, acute interventions are expensive.

10:45

John Mason: It would be fair to say that we have struggled with that.

John Swinney: No, I do not think that we have. A lot of reform has been undertaken. There is a bit of commentary. When I look at all the magazine articles about the Christie commission, I do not think that people have been looking closely at what has been going on in public services and the focus on early intervention. I refer to the steps made in our education system or health service on early intervention. Of course there is more that could be done, but a lot has been achieved. In essence, we are trying to avoid crisis and acute interventions because the more of them that we have, the more difficult are the challenges that we face.

A lot of the evidence about presentations at accident and emergency departments in Scotland indicates that the people who are arriving at accident and emergency are much more ill and much more frail than would have been the case in the past. That is the result of a combination of the extension of longevity in our society, the ability to support people at home in the fashion that we

have been able to and the success of some of the preventative and early intervention measures. However, if we have a population that has—I will try to word this as carefully as I can—more older people in it than it used to have, the pressures of frailty and old age will inevitably be more acutely felt in our health service than was the case in the past. That is why I say that demand requires efficiency in the health service.

The Convener: We will move on to questions from Brian Whittle, but I will try to get back round to members.

Brian Whittle: Welcome, cabinet secretary. We know the cost of having dealt with Covid previously. You indicated to other members that, looking ahead, there is a budget that assumes further Covid spending. However, on dealing with the fallout of Covid, there is a cost associated with other conditions that were affected by the Covid restrictions. I refer to cancer, elective surgery, mental health, obesity and physical fitness, for example. We know that to be true, which is why I was interested in your last answer to John Mason. Will the Covid recovery budget reflect our ability to deal with that fallout from Covid? It will inevitably turn up somewhere in the ledger.

John Swinney: In my opinion, the budget provides the appropriate resources to assist Covid recovery in a variety of policy areas. Covid recovery applies not just within the health service but in the education and justice systems. We have people who are waiting for court cases to be resolved that have been delayed because of Covid and I have to ensure that the burden of a victim is lifted by having those cases resolved. Therefore, I have to allocate resources to a wide variety of areas and have endeavoured to do that across the Government's budget.

However, there is a finite sum of money available. I have chosen to expand the amount of money that is available by increasing tax on higher-income earners. I know that Mr Whittle's party does not support that, but I have made that choice to maximise the resources that are available to invest in public services.

Yes, I think that the budget will reflect our ability to deal with the fallout, but I also have to be candid with the committee that it will take us some time to recover from Covid, because it has been a significant and disruptive force in our public services and our society.

Brian Whittle: We wait with interest to see whether raising taxes actually puts more money into the budget.

John Swinney: I think that I can confidently say that it will do that.

Brian Whittle: I have heard that confidence before, cabinet secretary.

John Swinney: I can demonstrate it with outturn data, which gives me confidence about the future data.

Brian Whittle: I will go back to my original question, on the funding of treatment for non-Covid-related conditions during the Covid recovery. We know from data that those most affected by Covid and those who had the worst outcomes had other health conditions such as obesity, type 2 diabetes or heart conditions.

We are looking ahead and discussing the preventative agenda, as we prepare for future pandemics. From talking to the OECD, we know that it is not only us doing that: all Governments are dealing with what is in front of them at the moment and it can be difficult to look further ahead. Given what we know about the impact that Covid had on people with other conditions, would it not be prudent to start looking at how we can tackle Scotland's poor record on health? The cabinet secretary knows that I am very interested in that subject. Would it not be prudent to start looking at how we can tackle that poor health record as we look ahead to future pandemics?

John Swinney: I assure Mr Whittle that we look constantly at how we can intervene early to proactively improve the health of the population. There are many different ways in which we are trying to do that. We encourage people to carefully manage their health, to exercise and to take all the necessary precautions that they can to maintain their physical fitness and their general health and wellbeing. There is a range of areas of activity and interventions across Government, local government and the third sector.

Mr Whittle raises an issue that is certainly important and that is not only pandemic-related. We should, in general, be attentive to and focused on how we can improve the health and wellbeing of the population. So many of the Government's public messages and many of our policy interventions—whether on the minimum unit pricing of alcohol, the banning of smoking in public places, the exhortation to exercise or the daily mile—are all part of that agenda.

I will not sit here and say that there is no more that we could do. The Government is very open to dialogue with colleagues in Parliament about how we can maximise that work.

Brian Whittle: We agree on the outcomes that we want. Outcomes are important, but we currently have a poor report card for health compared to many countries in Europe. I was really exercised about this topic before Covid.

I agree that a lot of positive health outcomes will be tackled outwith the health service. Correct me if I am wrong—I am sure that you will—but I think that 44 per cent of our budget is now spent on health and there has been a reduction of 27 per cent in the local government budget. However, many of the interventions that are required to deal with the impacts of Covid will be dealt with by local government. How do you square that circle, cabinet secretary?

John Swinney: The local government budget is going up by more than £550 million, so it is not being cut.

Brian Whittle: I said that the percentages of the budget had moved.

John Swinney: I am dealing with cash, and local authorities are getting £550 million more next year than they got this year. Whatever way you want to dress it up, that is an increase. That enables us to sustain our delivery of the type of interventions that Mr Whittle is raising with me.

I do not want to sour the atmosphere this morning, but we come back to hard choices here—

Brian Whittle: Government is choices, is it not?

John Swinney: Precisely, and I have made them, and I have made my point about tax.

Brian Whittle: You have made them, and I am challenging you.

John Swinney: With the deepest respect, Mr Whittle is not challenging me; Mr Whittle is asking me to spend money without showing me where it is going to come from. Unless he wants me to take money out of the health budget and allocate it to local government, he has to come up with an answer.

I am going to challenge the Conservatives on this all the way through the budget process, because the money has to come from somewhere. We have an ageing population that has a large number of frail people within it, and that will increase demand on the health service, which is why we are putting more resources into the health service and why I increased tax to ensure that I could put more money into the health service to address those issues.

Mr Whittle will not disagree with me about the extra money that I have put into the courts to ensure that we deal with the backlog so that victims get their cases addressed, and he will not disagree with me about putting £550 million extra into local government, so, somehow, I have to magic up some more money.

Those are the hard realities. I have confronted them, and others must confront them, too.

Brian Whittle: My final question concerns one of the questions that we asked the OECD on data collection and deployment, which is one of the important issues with regard to potential future pandemics—not just Covid-related data but data relating to the other conditions that we discussed earlier, with regard to their direction of travel.

We heard that, generally speaking, across the OECD countries, there is a lack of such data and that, having gathered data, we cannot disaggregate it to help to shape the way in which we tackle the health issues that are associated with Covid. I have talked many times about the fact that we do not have an IT structure that allows that to happen—few countries do. Do you agree that we should invest in that area, as a baseline?

John Swinney: There is a significant role for greater digital connectivity in our public services, which will enable us to better manage information about the way in which people interact with their public services. People of Mr Whittle's and my generation have in their minds an image of IT systems as large and complex things but, of course, we all have phones with various apps on them that gather and use all sorts of flexible information. There are opportunities to better use that data—the apps on my phone tell me about my fitness, my health and wellbeing and how much I exercise, and sometimes they are reassuring and sometimes they are a wake-up call. A lot can be done to address these questions, and I am open to how we explore that.

We have access to and collect a lot of data. Whether those are the right data sets to help us address some of the questions that we face is a matter of debate, but I am generally open to the idea of using digital connectivity better. A critical part of our public service reform agenda is that, as we go through a really challenging spending period, we expect public bodies to be adept at using digital connectivity to support the finding of the solutions that we are looking for—that is what we are setting out to them.

11:00

Jackie Baillie: I will be very quick. This is slightly disjointed, but I want to go back to the stat about the economically inactive. I think that you would accept that there was a massive surge in the previous year and that, on Tuesday, there was a small reduction in the stats on what had been a very high number.

My question is actually about the national performance framework, which—I think that we agree—reflects the outcomes that we want to achieve but is not linked to the budget. I understand that you are planning a refresh of the NPF this year. Will you commit to taking that

opportunity to link the two and to generate the additional data that is required so that your money goes to what you say your priorities are? That would be a significant step forward.

John Swinney: If I may say so, we went from, “This is particularly disjointed,” to, “This is a series of sweeping generalisations”.

Jackie Baillie: Not at all.

John Swinney: On economic inactivity, the data that I put on the record is that the level of economic inactivity has fallen by 0.8 per cent in 12 months, which is a really significant fall. The number for economic inactivity was—if my memory serves me right—21.3 per cent; I may not have that decimal point right, but it was of that order.

Jackie Baillie: It was much higher—

John Swinney: Jackie Baillie is saying that it was much higher—I do not think that it was. I will go away and check the data set.

Jackie Baillie: Okay—good.

John Swinney: The point that I am making is that, however hard we try, a sizeable proportion of that economic inactivity level will persist, because there are people who genuinely cannot be economically active—Jackie Baillie and I would agree on that point. If the lowest level of economic inactivity to which we could ever hope to get is 15 per cent—which still is a large number, because a lot of people genuinely cannot be economically active—a fall of 0.8 per cent in one year from 22.1 to 21.3 per cent is a very big one.

Jackie Baillie: The illustration, however, was that the surge was about long Covid.

John Swinney: I will go and look at the data, so that I can complete my view of this.

As for the other sweeping generalisation—

Jackie Baillie: It was not sweeping at all.

John Swinney: —I assure Jackie Baillie that the choices that were made in the budget were made cognisant of working to achieve the outcomes in the national performance framework. I am certainly prepared to consider—I am not setting out my last word on this—that there is a misalignment of budget priorities with the national performance framework.

I said, in response to Mr Fraser’s question about it, that I viewed the Covid recovery strategy as “being mainstreamed”. I take that view because the Covid recovery strategy and, likewise, the budget, sit comfortably with our aspirations in the NPF. I am very open to discussions about how there may be misalignments between the budget

and the national performance framework, and I am happy to engage on those questions.

Jackie Baillie: I think that Jim Fairlie is going to pick that up now.

Jim Fairlie: I apologise in advance, cabinet secretary. My questioning has been picking up bits of all the stuff that is being asked, so you might be made to jump about all over the place.

John Swinney: It is not an unusual experience in our conversations, Mr Fairlie.

Jim Fairlie: Exactly. [*Laughter.*] One of the things that Álfur Tryggvadóttir, the lead of spending review and machinery of government at the OECD, spoke about was the link between the spending review and the budget. Do you recognise that there is a problem there? Is that issue on your radar?

John Swinney: I am not dismissing Jackie Baillie’s points because I recognise the importance of that. What is the point of a national performance framework if we do not align our policy interventions with—this is crucial—a budget to support the outcomes that we are trying to achieve? There must be alignment.

I am very mindful of that point. My contention is that, in taking budget decisions, I am doing as much as I can to align our budget with the successful delivery of progress on the national outcomes in the NPF. However, I am open to a conversation on whether we could strike a better balance or put emphasis on particular areas. I assure the committee that the Government takes that endeavour seriously.

Jim Fairlie: As I said, I will jump around. I will raise an issue that John Mason mentioned. You spoke about the Covid recovery strategy being mainstreamed. The link between the spending review and how you look back at previous spend is one of the issues that we considered in the previous evidence session. The point was made that, once something goes into a budget, it becomes stuck; it stays there for ever. As the spending continues over the years, the thing that you did at that particular time for a particular reason stays in place. Our current spending review method is not to look back and ask whether that spending is still relevant. That was emphasised in your response to Murdo Fraser when you mentioned that the Covid recovery strategy funding is now becoming part of mainstream funding.

You might have answered this in your earlier response to Brian Whittle, but is there an ability to look back at something that was included in the budget, say, five or 10 years ago? I am sorry—I am rambling; please bear with me. Local authorities quite often get to the end of the

financial year and still have, say, half a million quid to spend, which they try to get rid of so that they do not lose that money in the coming budget. Does the Government use a mechanism currently in which there are incentives—Álfrún Tryggvadóttir used the word “incentives”—so that budgets are not spent in that way and the money is redeployed in a more sensible way? I am sorry if that was convoluted.

John Swinney: I understand exactly the point that is being made. The incentive in challenging existing spend is to ensure that spending is properly aligned with the Government’s objectives.

Jim Fairlie: Do the spending reviews look back?

John Swinney: I look all the time, as do other finance ministers. I am here in a temporary capacity, but I have had to look very hard at commitments in this financial year and at how we are spending money, because I have had to find money.

As I announced to the Parliament, I have taken £1.2 billion out of predicted expenditure within Government. I have gone to different parts of the Government and said, “Those measures can’t go forward. I’m going to have to pull that money out. You’re going to have to do without this or do without that.”

That has been done in an abrupt sense because of the financial challenges of this year. However, we carry out periodic spending reviews in which we review provisions that we are making and things that we are funding.

Let us take, for example, a programme such as early learning and childcare. In the course of the 15 years of this Government, we have substantially expanded early learning and childcare. When we came to office, the level of early learning and childcare provision was about 425 hours a year, and we have put that up to 1,140 hours. We have done that on the basis of the early intervention advice—all the evidence shows that the earlier that we engage children in good, high-quality early learning and childcare, the better their educational, personal and health outcomes will be. We have made that choice and invested in it. If we had a spending review tomorrow, I am very sceptical that we would come to the conclusion that we would no longer do that. However, for other things that we do and are committed to, we might say that there is a time limit to what we can afford for those priorities, and we might change them.

The active purpose of a spending review is to determine what more we need to do. A spending review also has to take into account changes in the population. I am making a deadly serious point about the increased number of elderly people in

our society. There are a lot of very fit, healthy and energetic older people in our society but, inevitably, there will be people who become frailer as they age. There will be more of those individuals, and they have to be supported by public services—ideally in their own homes but, on some occasions, that might have to be in an acute hospital setting that, by its nature, is very expensive to support.

Jim Fairlie: I have a question in relation to the cost of Covid to the Scottish budget and the preparedness for another pandemic. Brian Whittle made the point that we have bigger challenges because of our distinct health challenges, which our previous witness did not agree with. I am sorry if I am jumping around, but I am picking up pieces. We had previous evidence about PPE. Do you still have the funding available for that 12-week rolling stock? When we took the evidence, it was very much in my mind that, if we have a stockpile of PPE, it will go out of date, so it will be a waste. However, NHS Scotland reassured us that it had a rolling contract. Is that under threat due to the budgetary pressures that you face?

John Swinney: No—the maintenance of the 12-week stock, which, as NHS Scotland will have explained to the committee, is done on a rolling basis, is supported by budget provision. The stock is used, but we have 12 weeks’ worth of it. We are using the budget to enable that to be constantly replenished but, as it is replenished, at the other end of the warehouse—if I can put it that way—it is being used.

Jim Fairlie: I will make two final quick points. Jackie Baillie talked about economic inactivity, which this committee has looked at. It came out in an evidence session that a definite cohort was simply not going to go back into employment, on the basis of lifestyle or pension provision. After we took that evidence, I started asking people in my peer and age groups, “Why did you retire now, when you are in your mid or early 50s?”. Although it is anecdotal, I am hearing that, if employers were far more amenable to part-time work, a lot of those economically inactive people, who are more than capable of going back into the workforce, would do so on a different basis. I have been given evidence of a big organisation advertising 240 jobs, only one of which was part time. The Government might want to look at that, in terms of relationships with industry and whether it can change the way that it works. That is purely a comment.

John Swinney: I certainly think that we should be open to that, because, along with the other data that I was talking about, employment levels in Scotland are at their highest on record, and unemployment is very close to a historic low of 3.3 per cent. As Mr Fairlie will know from engagement

in his constituency, which has a very similar profile to mine, we cannot speak to a local employer—in the public or private sector—without hearing that they are short of employees. Therefore, the need for us to be flexible about engaging people in the workforce is an absolutely central challenge, and the Government is doing some work on that in relation to the four-day working week pilot and various other measures of that type.

11:15

Of course, there will be some complicated interactions around pension provision, and that is particularly the case in some circumstances in relation to the health service. Some of those issues are not immediately under our control, because they are more about pensions rules than employment rules. The more that we have an open and constructive dialogue with the United Kingdom Government—which regulates many of those issues—the better, in order to address some of them.

Jim Fairlie: My final point goes back to a point that Brian Whittle made. In another session—I cannot remember which one—we took evidence about data gathering, and we have heard that we have world-class data. However, the link between what that data is and how it is used is not as strong as it could be in the Scottish Government. Would you look at that?

that we have at our disposal. With regard to some of the data that we have through our health records, many people—internationally—have commented to me about the advantage that the Scottish data holds and how it can be used. The sequencing information that can be applied is quite remarkable and provides us with intelligence about how to position various early intervention measures. That point has been reflected on by the Standing Committee on Pandemic Preparedness, which is led by Professor Morris. We will continue to look at those questions, to make sure that we are using data as effectively as we can.

The Convener: That concludes our consideration of that agenda item. I thank the Deputy First Minister and his supporting officials for their attendance this morning.

The committee's next meeting will be on 26 January, when we will consider a draft report on our labour market inquiry.

11:17

Meeting continued in private until 11:27.

John Swinney: I am happy to look at that, but I think that we are in a strong position with the data

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